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AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA

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SUBJECT: PM Removes Major Port Manager for Deal with U.S. Company,
May Prefer China Instead

CLASSIFIED BY: Timothy Zuniga-Brown, Deputy Chief of Mission; REASON:
1.4(B), (D)

¶1. (S) SUMMARY: In an unusual move, PM Ingraham effectively removed the foreign manager of one of the world's largest and busiest ports after learning of his role in the partial sale of the Grand Bahama Port Authority (GBPA) in Freeport to a U.S.-Singapore Firm. Confidential sources speculate that the PM was blindsided by the deal and had possibly preferred to see the Port Authority (comprised of a major international airport, major transshipment container port, cruise ship terminal and harbor and major petroleum storage center) sold to Chinese-backed Container Port owner, Hutchison Whampoa. The Chairman's removal puts into jeopardy ongoing negotiations with major U.S. firms to bring Liquid Natural Gas (LNG) re-gassification facilities and other badly-needed commercial ventures to the country's second-largest city, which suffers from nearly 15 percent unemployment. END SUMMARY

Blindsided by Port Deal; PM Retaliates

¶2. (S) PM Ingraham announced in a December 14 press conference that the work permit of Hannes Babak, the Chairman of Port Group Limited (PGL), which owns and operates the Grand Bahama Port Authority, was due to expire on December 31, 2009 and that it would not be renewed. The news came as a surprise to Babak, who had served as PGL Chairman from 2006 until present and is a permanent resident of The Bahamas and was granted a license and work permit from Ingraham's government to carry out his duties. A source associated with the incident told the Embassy that this move is likely retaliation for Babak's involvement in the sale of Sir Jack Hayward's ownership stake in the GBPA to Mid-Atlantic projects, LLC and its Singaporean partners, International Enterprise Singapore and Temasek. Sir Jack Hayward and the estate of late Edward St. George had co-owned the GBPA since its creation in 1955 and had been embroiled in a long-standing dispute over what percentage of the GBPA each actually owned. The Prime Minister had allegedly learned as recently as December 12 that Hayward's 50 percent stake had been sold; Ingraham had previously believed that the only company interested in purchasing the GBPA was Hong Kong-based Hutchison Whampoa.

¶3. (S) Babak alleged that PM Ingraham was favorable to the Chinese company and had, on numerous occasions, pressured Hayward and the trustees of St. George's estate to sell their shares to Hutchison Whampoa. He described the relationship between PM Ingraham and Hutchison Whampoa as "unusual and unexplainable," because many have criticized their management and the lack of development at the Port. He cited rumors that Hutchison contributed USD 7 million

to PM Ingraham's last campaign.

Four Conditions for Renewal

14. (S) Babak was appointed as Chairman to the PGL in 2006 under considerable controversy, due to his previous ownership of a construction company with direct interests in the port's development and his close relationship with Sir Jack Hayward. In June of 2009 when PGL had submitted Babak's permit to the Ministry of Immigration for renewal, he was called to a meeting at the PM's office in Freeport with Minister of Immigration Branville McCartney, Director of Immigration Jack Thompson, and Officer In Charge for Freeport, Mrs. Fausteen Major-Smith. At this meeting, McCartney allegedly told Babak that the GCOB would approve the renewal of the work permit under four conditions. The first condition was to solve the ongoing ownership dispute between Hayward and the St. George's estate. The second condition was to "treat Bahamians fairly." This was interpreted as a demand to promote the daughter of Minister of Public Works and Transport Neko Grant to General Counsel of the Port Authority, which Babak had not done because she was reportedly not qualified for the position.

The third condition was to "compete fairly with Bahamian companies." PolCouns was told that this represented an inaccurate perception from the GCOB that Babak still owned shares in his construction company and therefore had a conflict of interest when granting contracts for port development. Babak reportedly sold all of his shares prior to becoming chairman in 2006 and offered proof of this to McCartney, who was "uninterested." The fourth condition was to "not stand in the way of" cruise port terminal construction in Williamstown. Babak had publically advocated for the terminal to be located in Williamstown because no reef existed there.

A "Legitimate" Buyer?

15. (S) Two weeks after the meeting with McCartney, sources note that Babak met with Sir Albert Miller, former President of the GBPA and close confidant of PM Ingraham, to discuss the four conditions. Miller told Babak that the PM wanted him to "get [Sir Jack Hayward] to sell his share and sort out the contract." Miller added that the PM did not want the dispute to have to go through arbitration in London at the International Chamber of Commerce. In a later conversation with the PM, Babak asked directly whether the GCOB preferred that Hayward's and St. George's shares be sold entirely to Hutchison Whampoa. Babak claims that the PM said that the shares should be sold to Hutchison Whampoa if that company was "the only buyer." Babak confirmed this information once again with Sir Albert Miller who reiterated that "any legitimate buyer [was] fine" with the Prime Minister. Babak said that he then proceeded with negotiations with Mid-Atlantic LLC, who had proposed a "better deal" for the purchase of Hayward's shares.

Major deals with U.S. LNG, Hospital Development Companies in Jeopardy

¶16. (S) Sir Jack Hayward had publically proposed that Babak continue as PGL's Chairman in the Cayman Islands, site of parent company Intercontinental Diversified Corporation (IDC) headquarters, although Babak told media sources that operating the Bahamian port from the Cayman Islands 'would not work.' One source told PolCouns that Babak's dismissal or relocation would put into jeopardy several major industrial deals with U.S. companies that would have immediate economic benefits for Grand Bahama, which suffers from an unemployment rate of 14.6 percent. One deal still under negotiation involves the establishment of an offshore, ship-based Liquid Natural Gas (LNG) regassification plant and on-shore LNG storage facilities operated by Texas-based Excelerate Energy and Virginia-based AES. The arrangement would enable electricity delivery services via underwater cable to Florida Light and Power as well as Bahamas Electricity Corporation (BEC). BEC, Babak told one local newspaper, could save USD 250 million in planned capital expenditures if this project were to become reality. Babak is also negotiating with PPG, an American company that maintains a property fund devoted to the construction of hospitals for medical tourism. He said this deal, while tentative, is worth over USD 100 million. The source emphasized that Babak had spearheaded these deals, and they were unlikely to go through without his daily involvement.

Babak Requests Embassy Assistance

¶17. (S) Babak has asked the Deputy Chief of Mission for assistance in convincing Ingraham to reverse his position and to renew the permit. Babak has been a long-time supporter of U.S. commercial interests in The Bahamas and would continue to do so if he stayed in his current role. The DCM was non-committal.

Comment

¶18. (S) Ingraham's decision not to renew Babak's permit was likely made out of anger at Babak's move not to obtain Ingraham's blessing before moving forward with the Mid-Atlantic deal as well as a not-so-discreet desire to increase Chinese involvement in Grand Bahama's development plans through Hutchison Whampoa. Ingraham's public and well-reported announcement likely means that the government is forced now to not renew the work permit. Babak's ultimate departure, including maintaining the Chairmanship position from the Cayman Islands, could result in further delays in Grand Bahama's development just as the expected sale to Mid-Atlantic had sought to jump-start progress.

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